



## DAILY ENERGY COMPLEX COMMENTARY

Friday May 19, 2023

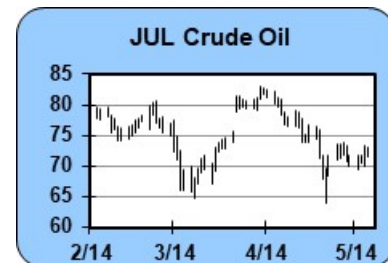
### DAILY ENERGY COMPLEX COMMENTARY

5/19/2023

#### Upbeat demand off upbeat debt ceiling prospects

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE +95, HEATING OIL +164, UNLEADED GAS +176**

**CRUDE OIL MARKET FUNDAMENTALS:** While the last two weeks' price action in crude oil seemed to indicate an unsteady balance in world supply and demand, many traders see supply tightening and demand continuing to see stepwise improvements. However, energy and commodity markets are likely to see big picture macroeconomic influences dominate prices early next week. Personally, we think global energy demand evidence remains sketchy and could be derailed by a financial market meltdown arising from the failure to solve the US debt ceiling threat. Adding into the demand threat for US WTI supply is the impact of a surging US dollar on foreign buyers of US oil. Fortunately for the bull camp the markets expect strategic reserve buying from the US and India and perhaps from China which recently saw refiners dipping into domestic inventories. Apparently, 2.7 million barrels per day of daily Canadian oil sands production is in "very high" or "extreme" wildfire danger zones (according to Rystad Energy). It should also be noted that officials think a return to abnormally hot and dry conditions ahead will rekindle blazes, leaving the threat against Canadian supply in place into the weekend. Furthermore, evidence of increased Saudi crude oil exports for March and April were offset by projections that Saudi Arabian May exports will decline. Unfortunately for the bull camp strength in the dollar and a surge in energy demand concern from US debt issues are likely to remain a headwind for crude oil prices. Over the long term, with the US refinery operating rate tracking year ago patterns, a seasonal upswing in refinery activity through July anticipated, and Chinese refinery activity very strong, we see crude oil respecting the \$70.00 level, with that level sparking bargain-hunting buying.



**PRODUCT MARKET FUNDAMENTALS:** With another higher high upside extension in gasoline prices this morning forged in the face of softer Chinese traffic congestion readings yesterday, the positive buzz toward gasoline remains in place. In fact, growing western seasonal demand for gasoline should dominate gasoline market price action in the coming weeks, especially with US implied gasoline demand readings already in a pattern of strength. Fortunately for the bull camp, the last COT positioning report in gasoline showed a net spec and fund long near the lowest levels since July 2022 and that should mitigate the short-term overbought condition from this week's \$0.17 rally. While US implied gasoline demand reading this week fell below year ago levels for the first time since early April, US supply has remained tight despite very significant gasoline supply flow from Europe! While we think gasoline can return to \$2.67 in the coming weeks, we suggest traders avoid paying up for fresh longs above \$2.57. In retrospect, diesel is clearly lacking the type of bullish fundamentals present in the gasoline market and we expect that situation to continue. In fact, two cargoes of Russian diesel destined for Brazil were rerouted in a possible sign of an adequately supplied South American diesel market. Fortunately for the bull camp, the last COT positioning report showed a net spec and fund long in diesel of only 12,078 contracts which was near the lowest level posted since the beginning of the pandemic. In conclusion, diesel is near fair value on trades in the July contract near \$2.30, but the market will need significant positive leadership from crude oil and gasoline to take out the May highs.

**NATURAL GAS:** While the natural gas market reportedly rallied from a smaller than expected storage build, we are skeptical of that view, especially with the surplus versus the 5-year average remaining inflated and near last

week's lofty surplus level. The weekly natural gas storage report showed an injection of 99 bcf. Total storage stands at 2,240 bcf, or 17.9% above the 5-year average. Over the last four weeks natural gas storage has increased 310 bcf. Going forward the natural gas market should see residual support for threats against gas production in Canada and from extreme hot temperatures in southeast Asia and India. Certainly, an unusually hot forecast for the Western United States combined with above normal temperatures throughout large sections of the US through the middle of next week adds to yesterday's upside chart breakout and could prompt additional stop loss buying. Certainly, the weekly injection yesterday was on the small side but surplus supplies relative to history are limiting and the potential for buyers to back off with prices nearing 3-week highs should make \$2.70 resistance in the July natural gas contract.

### EIA Natural Gas Storage Report Summary

#### In Billion Cubic Feet

Week Of	Week Change	Total Storage	Change From Last Year	4 Week Combined Weekly Change	Percent Change vs 5 Year Average	Percent Change vs 10 Year Average
5/12/2023	99	2240	521	310	17.9%	#REF!

#### TODAY'S MARKET IDEAS:

Action in the petroleum markets today could be quite fickle as the trade shifts its focus back and forth between internal classic fundamentals and big picture macroeconomic anxiety associated with the US debt ceiling negotiations. Fortunately for the bull camp, the trade saw positive US jobs data yesterday as a significant rally in the dollar and a spike up in US treasury yields could set the stage for a negative finish for physical commodity markets this week. However, energy market sentiment continues to embrace positive demand stories and have largely discounted negative supply-side headlines.

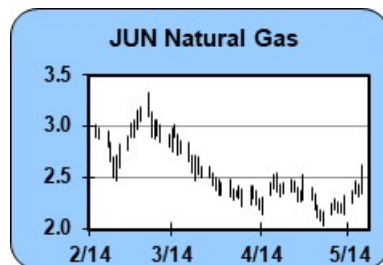
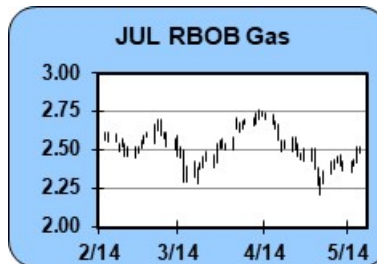
#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

#### OTHER ENERGY CHARTS:



#### ENERGY COMPLEX TECHNICAL OUTLOOK:

Note: Data is collected using the closing values of the previous session and calculations and analysis are run at the same time. Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report. Data sources can and do produce bad ticks that can cause computation errors. Please verify before use.

**CRUDE OIL (JUL) 05/19/2023:** Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 73.61. The next area of resistance is around 72.81 and 73.61, while 1st support hits today at 71.37 and below there at 70.72.

**HEATING OIL (JUL) 05/19/2023:** Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 243.55. The next area of resistance is around 241.13 and 243.55, while 1st support hits today at 236.21 and below there at 233.72.

**RBOB GAS (JUL) 05/19/2023:** A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The next upside objective is 254.21. The next area of resistance is around 253.07 and 254.21, while 1st support hits today at 249.63 and below there at 247.32.

**NATURAL GAS (JUL) 05/19/2023:** The major trend could be turning up with the close back above the 40-day moving average. A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside target is at 2.940. The next area of resistance is around 2.858 and 2.940, while 1st support hits today at 2.592 and below there at 2.407.

## DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
<b>ENERGY COMPLEX</b>										
CLAN23	72.09	46.94	45.69	52.68	58.90	71.73	71.89	72.48	74.66	75.01
CLAQ23	72.01	47.00	45.81	51.26	57.61	71.55	71.70	72.24	74.34	74.69
HOAN23	238.67	51.13	47.54	61.65	74.47	2.38	2.37	2.35	2.47	2.52
HOAQ23	238.34	50.16	46.91	61.13	73.75	2.37	2.37	2.36	2.47	2.51
RBAN23	251.35	58.00	52.92	62.75	77.64	2.47	2.44	2.43	2.52	2.53
RBAQ23	245.50	56.46	51.91	60.78	75.64	2.42	2.39	2.38	2.47	2.48
NGAN23	2.725	68.58	59.75	51.86	67.98	2.58	2.47	2.47	2.59	2.74
NGAQ23	2.797	68.25	59.78	53.89	69.79	2.65	2.56	2.55	2.66	2.79

Calculations based on previous session. Data collected 05/18/2023

Data sources can & do produce bad ticks. Verify before use.

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>ENERGY COMPLEX</b>						
CLAN23	Crude Oil	70.71	71.36	72.16	72.81	73.61
CLAQ23	Crude Oil	70.68	71.31	72.08	72.71	73.48
HOAN23	Heating Oil	233.71	236.21	238.63	241.13	243.55
HOAQ23	Heating Oil	233.62	235.95	238.39	240.72	243.16
RBAN23	RBOB Gas	247.31	249.62	250.76	253.07	254.21
RBAQ23	RBOB Gas	242.04	243.99	245.05	247.00	248.06
NGAN23	Natural Gas	2.406	2.591	2.673	2.858	2.940
NGAQ23	Natural Gas	2.487	2.667	2.745	2.925	3.003

Calculations based on previous session. Data collected 05/18/2023

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